

A bill for an act

relating to retirement; public employees police and fire retirement plan; eliminating deferred annuities augmentation after 2010; increasing the vesting period from three years of allowable service for post-2010 hires; increasing member and employer contributions after calendar year 2010; modifying postretirement adjustments after calendar year 2010; amending Minnesota Statutes 2008, sections 353.651, subdivision 1; 353.71, subdivisions 1, 2; 356.30, subdivision 1; Minnesota Statutes 2009 Supplement, sections 353.65, subdivisions 2, 3; 356.415, subdivision 1, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2009 Supplement, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) The employee contribution is ~~9.4~~ the following percent of the salary of the member:

<u>Before January 1, 2011</u>	<u>9.4 percent</u>
<u>After December 31, 2010</u>	<u>9.6 percent</u>

(b) This contribution must be made by deduction from salary in the manner provided in subdivision 4.

(c) Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

Sec. 2. Minnesota Statutes 2009 Supplement, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) The employer contribution is ~~14.1~~ the following percent of the salary of the member:

2.1	<u>Before January 1, 2011</u>	<u>14.1 percent</u>
2.2	<u>After December 31, 2010</u>	<u>14.4 percent</u>

2.3 (b) This contribution must be made from funds available to the employing
2.4 subdivision by the means and in the manner provided in section 353.28.

2.5 Sec. 3. Minnesota Statutes 2008, section 353.651, subdivision 1, is amended to read:

2.6 Subdivision 1. **Age and allowable service requirements.** (a) Upon separation from
2.7 public service, any police officer or firefighter member who has attained the age of at
2.8 least 55 years and who ~~received credit for not less than three years of allowable service~~
2.9 is vested under paragraph (b) is entitled upon application to a retirement annuity. ~~Such~~
2.10 ~~retirement annuity is, to be~~ known as the "normal" retirement annuity.

2.11 (b) A police officer or firefighter member who first became a member before July 1,
2.12 2010, is fully vested for any retirement annuity calculated under subdivision 2 with credit
2.13 for not less than three years of allowable service. A police officer or firefighter who
2.14 first became a member after June 30, 2010, is vested for the specific percentages of any
2.15 retirement annuity calculated under subdivision 2 associated with the following length of
2.16 allowable service credit:

- 2.17 (1) 50 percent with five years of allowable service;
2.18 (2) 60 percent with six years of allowable service;
2.19 (3) 70 percent with seven years of allowable service;
2.20 (4) 80 percent with eight years of allowable service;
2.21 (5) 90 percent with nine years of allowable service; and
2.22 (6) 100 percent with ten or more years of allowable service.

2.23 Sec. 4. Minnesota Statutes 2008, section 353.71, subdivision 1, is amended to read:

2.24 Subdivision 1. **Eligibility.** Any person who has been a member of a retirement
2.25 plan administered by the Public Employees Retirement Association, or a retirement plan
2.26 administered by the Minnesota State Retirement System, or the Teachers Retirement
2.27 Association, or any other public retirement system in the state of Minnesota having a like
2.28 provision, except a fund providing benefits for police officers or firefighters governed by
2.29 sections 69.77 or 69.771 to 69.776, ~~shall be~~ is entitled when qualified to an annuity from
2.30 each fund if the total allowable service in all funds or in any two of these funds totals ~~three~~
2.31 ~~or more~~ the number of years of the retirement plan with the longest vesting requirement,
2.32 provided no portion of the allowable service upon which the retirement annuity from one
2.33 fund is based is again used in the computation for benefits from another fund and provided
2.34 further that the person has not taken a refund from any one of these funds since the person's

membership in that association or system last terminated. The annuity from each fund ~~shall~~
must be determined by the appropriate provisions of the law except that the requirement
that a person must have at least ~~three~~ a specific number of years of allowable service in
the respective association or system ~~shall~~ must not apply for the purposes of this section
provided the combined service in two or more of these funds equals three or more years.

Sec. 5. Minnesota Statutes 2008, section 353.71, subdivision 2, is amended to read:

Subd. 2. **Deferred annuity computation; augmentation.** (a) The deferred annuity
accruing under subdivision 1, or under sections 353.34, subdivision 3, and 353.68,
subdivision 4, must be computed on the basis of allowable service ~~prior to~~ before the
termination of public service and augmented as provided in this paragraph.

(b) The required reserves applicable to a deferred annuity, or to any deferred
segment of an annuity must be determined as of the first day of the month following the
month in which the former member ceased to be a public employee, or July 1, 1971,
whichever is later. ~~These~~

(c) Except for former members of the public employees police and fire retirement
plan for deferral periods after December 31, 2010, the required reserves must be
augmented at the rate of five percent annually compounded annually until January 1,
1981, and at the rate of three percent thereafter until January 1 of the year following the
year in which the former member attains age 55 and from that date to the effective date
of retirement, the rate is five percent compounded annually if the employee became an
employee before July 1, 2006, and at 2.5 percent compounded annually if the employee
becomes an employee after June 30, 2006. If a person has more than one period of
uninterrupted service, the required reserves related to each period must be augmented
as specified in this ~~paragraph~~ subdivision.

(d) The sum of the augmented required reserves is the present value of the annuity.

(e) Uninterrupted service for the purpose of this subdivision means periods of
covered employment during which the employee has not been separated from public
service for more than two years. If a person repays a refund, the restored service must
be considered as continuous with the next period of service for which the employee has
credit with this association.

(f) This section must not reduce the annuity otherwise payable under this chapter.

(g) ~~This paragraph~~ this subdivision applies to individuals who become deferred
annuitants on or after July 1, 1971. For a member who became a deferred annuitant before
July 1, 1971, ~~the paragraph~~ this subdivision applies from July 1, 1971, if the former active
member applies for an annuity after July 1, 1973.

~~(b)~~ (h) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, or the survivor benefit payable on behalf of a basic or police and fire member who was receiving disability benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained under section 356.214.

Sec. 6. Minnesota Statutes 2008, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any provisions of the laws governing the retirement plans enumerated in subdivision 3, a person who has met the qualifications of paragraph (b) may elect to receive a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, based on the allowable service in each plan, subject to the provisions of paragraph (c).

(b) A person may elect to receive, upon retirement, a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, and augmentation of a deferred annuity calculated at the appropriate rate under the laws governing each public pension plan or fund named in subdivision 3, based on the date of the person's initial entry into public employment from the date the person terminated all public service if:

(1) the person has allowable service totaling an amount that allows the person to receive an annuity in ~~any two or more of the enumerated plans~~ retirement plan with the longest allowable service vesting requirement or retirement annuity eligibility requirement; and

(2) the person has not begun to receive an annuity from any enumerated plan or the person has made application for benefits from each applicable plan and the effective dates of the retirement annuity with each plan under which the person chooses to receive an annuity are within a one-year period.

(c) The retirement annuity from each plan must be based upon the allowable service, accrual rates, and average salary in the applicable plan except as further specified or modified in the following clauses:

(1) the laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered retirement plan with which the

person earned a minimum of one-half year of allowable service credit during that employment;

(2) the "average salary" on which the annuity from each covered plan in which the employee has credit in a formula plan must be based on the employee's highest five successive years of covered salary during the entire service in covered plans;

(3) the accrual rates to be used by each plan must be those percentages prescribed by each plan's formula as continued for the respective years of allowable service from one plan to the next, recognizing all previous allowable service with the other covered plans;

(4) the allowable service in all the plans must be combined in determining eligibility for and the application of each plan's provisions in respect to reduction in the annuity amount for retirement prior to normal retirement age; and

(5) the annuity amount payable for any allowable service under a nonformula plan of a covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(d) This section does not apply to any person whose final termination from the last public service under a covered plan was before May 1, 1975.

(e) For the purpose of computing annuities under this section, the accrual rates used by any covered plan, except the public employees police and fire plan, the judges retirement fund, and the State Patrol retirement plan, must not exceed the percent specified in section 356.315, subdivision 4, per year of service for any year of service or fraction thereof. The formula percentage used by the judges retirement fund must not exceed the percentage rate specified in section 356.315, subdivision 8, per year of service for any year of service or fraction thereof. The accrual rate used by the public employees police and fire plan and the State Patrol retirement plan must not exceed the percentage rate specified in section 356.315, subdivision 6, per year of service for any year of service or fraction thereof. The accrual rate or rates used by the legislators retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c).

(f) Any period of time for which a person has credit in more than one of the covered plans must be used only once for the purpose of determining total allowable service.

(g) If the period of duplicated service credit is more than one-half year, or the person has credit for more than one-half year, with each of the plans, each plan must apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

Sec. 7. Minnesota Statutes 2009 Supplement, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan other than the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied, effective January 1 following the year in which the person has been retired for less than 12 months.

(b) The increases provided by this section commence on January 1, 2010.

(c) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

(d) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 353.29, subdivision 6, or 354.35 must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6, or age 62, 65, or normal retirement age, as selected by the member at retirement, for an annuity amount payable under section 354.35. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

Sec. 8. Minnesota Statutes 2009 Supplement, section 356.415, is amended by adding a subdivision to read:

Subd. 1a. **Annual postretirement adjustments; PERA-P&F.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) for January 1, 2011, and each successive January 1 that follows the loss of funding stability as defined under paragraph (b) until funding stability as defined under paragraph (b) is again restored, for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 12 full months as of the immediate preceding June 30, an amount equal to the percentage increase in the Consumer Price Index for urban wage earners and clerical workers-all items published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous, but not to exceed 1.5 percent;

(2) for January 1, 2011, and each successive January 1 that follows the loss of funding stability as defined under paragraph (b) until funding stability as defined under paragraph (b) is again restored, for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least one full month as of the immediate preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for urban wage earners and clerical workers-all items published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt, but not to exceed 1/12 of 1.5 percent for each full month of annuity or benefit receipt;

(3) for each January 1 following the restoration of funding stability as defined under paragraph (b) and during the continuation of funding stability as defined under paragraph (b), for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 12 full months as of the immediate preceding June 30, an amount equal to the percentage increase in the Consumer Price Index for urban wage earners and clerical workers-all items published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous, but not to exceed 2.5 percent; and

(4) for each January 1 following the restoration of funding stability as defined under paragraph (b) and during the continuation of funding stability as defined under paragraph (b), for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least one full month as of the immediate preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for urban wage earners and clerical workers-all items published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring

8.1 12 months previous for each full month of annuity or benefit receipt, but not to exceed
8.2 1/12 of 2.5 percent for each full month of annuity or benefit receipt.

8.3 (b) Funding stability is restored when the market value of assets of the public
8.4 employees police and fire retirement plan equal or exceed 90 percent of the actuarial
8.5 accrued liabilities of the applicable plan in the most recent prior actuarial valuation
8.6 prepared under section 356.215 and under the standards for actuarial work of the
8.7 Legislative Commission and Pensions and Retirement by the approved actuary retained by
8.8 the Public Employees Retirement Association under section 356.214.

8.9 (c) An increase in annuity or benefit payments under this section must be made
8.10 automatically unless written notice is filed by the annuitant or benefit recipient with the
8.11 executive director of the Public Employees Retirement Association requesting that the
8.12 increase not be made.

8.13 Sec. 9. **EFFECTIVE DATE.**

8.14 Sections 1 to 8 are effective the day following final enactment.